



Attachment 1

UK Residential and Business Consumer Benefits of Addressing Leased Line Access Bottlenecks

October 2012

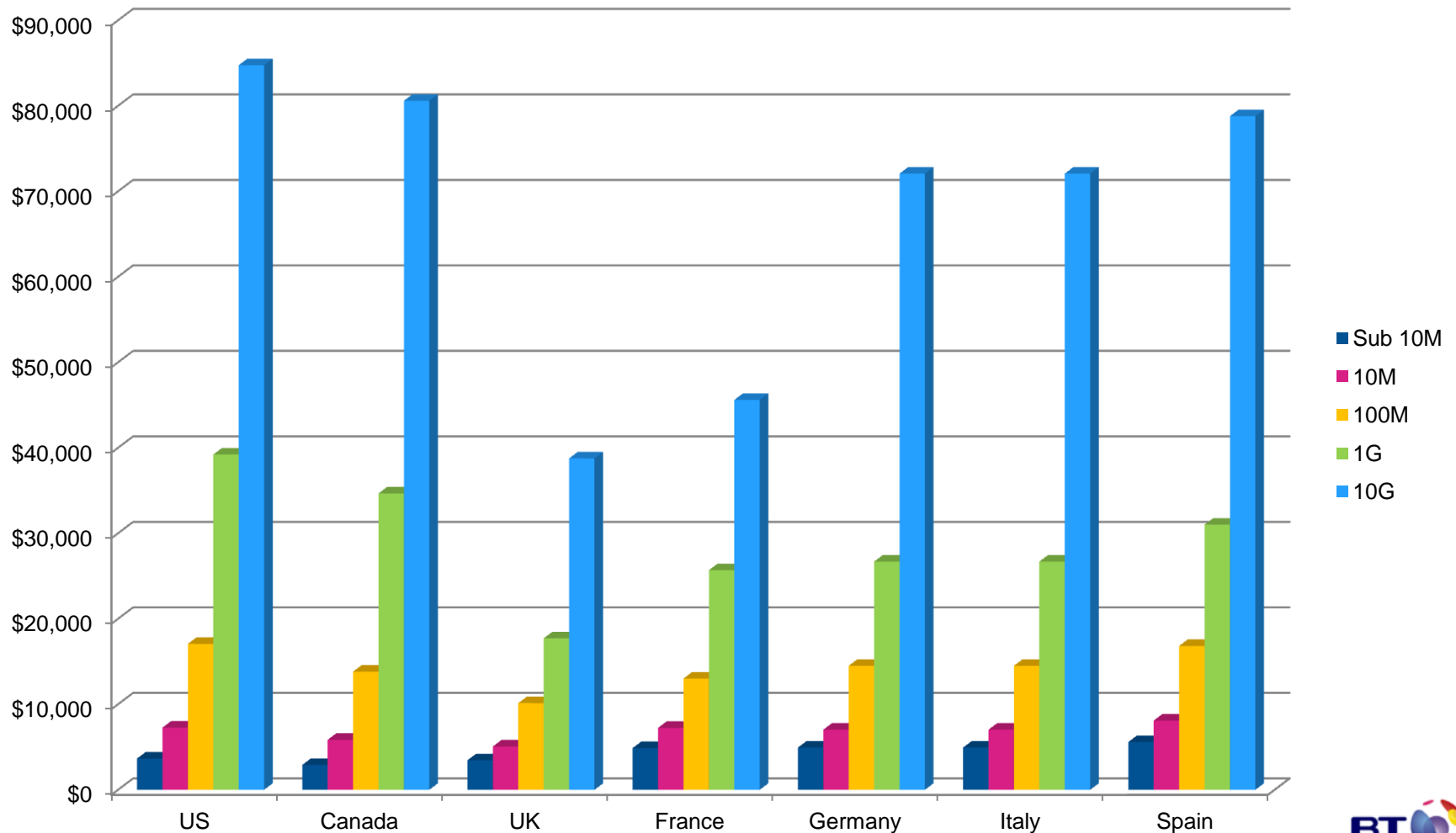
Introduction

- The data in this pack shows that retail competition in the provision of communication services in the UK has delivered real benefits for consumers in terms of choice, quality and value for money, including real GDP growth for the UK economy.
- This retail competition has been underpinned by BT's commitment to providing a range of fairly-priced wholesale access products on equivalent terms.
 - Market review of Ethernet and TDM access conducted every three years.
 - 10,000 postal sectors examined for competition.
 - Where market power exists, price controls on access are imposed.
- The UK is now one of the world's leading countries in the cost and availability of communication services that research shows is delivering significant GDP growth compared to other countries.

UK Ethernet prices are amongst the lowest

Metro Ethernet Price Comparison Per End Point

Annual Prices



Source: <http://www.ovumkc.com/Products/Telecoms/Enterprise/Enterprise-Ethernet-Service-Forecast-Spreadsheet-2011-16/Ovum-Data-Pack>



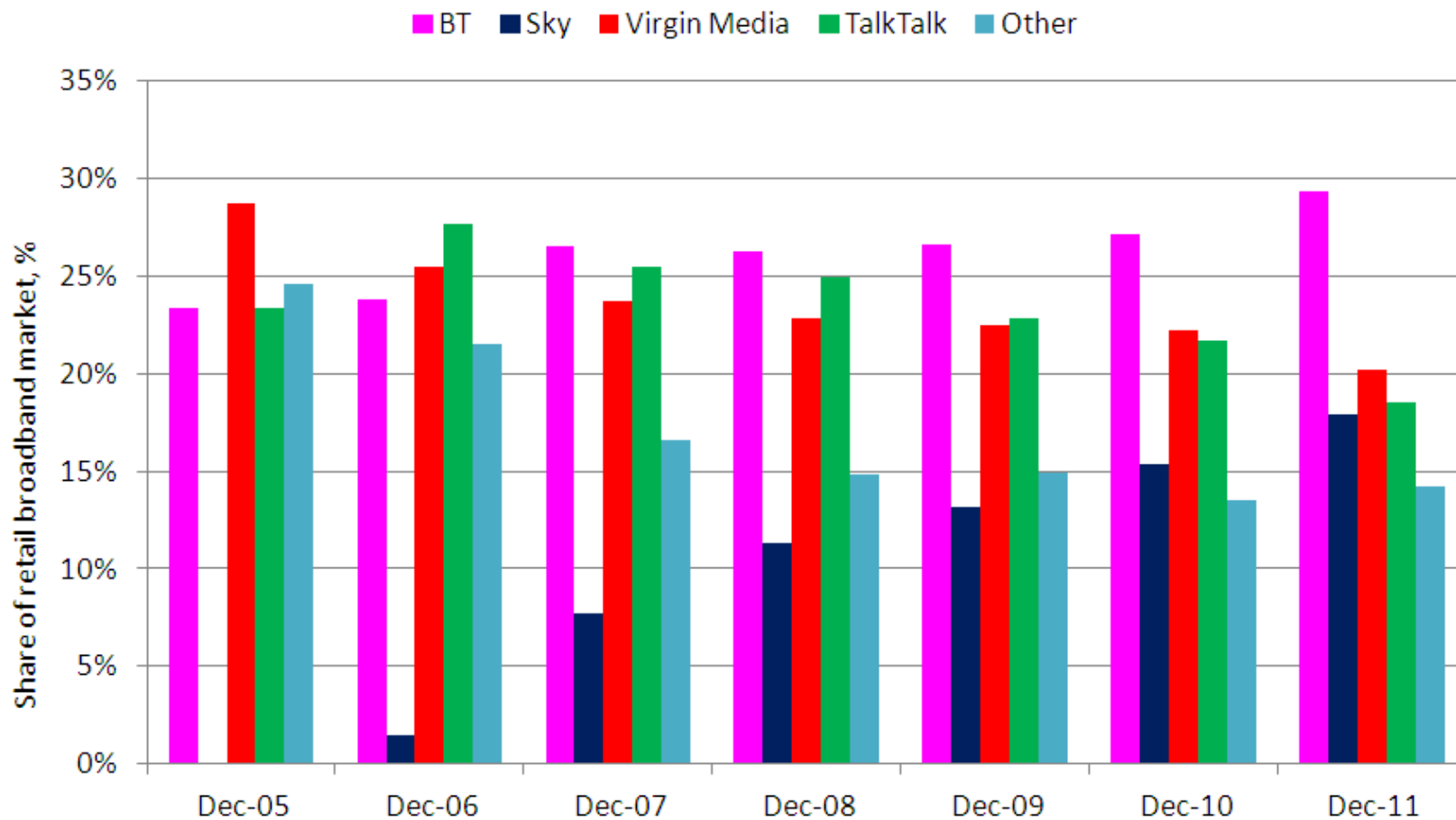
BT Fiber to the Home Investment Despite Regulation

- BT is deploying NGA networks without any regulatory forbearance.
- Invested £2.5bn to make fibre available to two thirds of UK premises by the end of 2014.
- Available for BT's competitors to use.
- Majority of premises are connected via fibre to the cabinet, delivering speeds of up to 80Mbps. The rest are fibre to the premises, delivering speeds of up to 300Mbps.
- More than 99% of UK homes have access to broadband. 9 of 10 UK homes have access to over 2Mbps in practice (often substantially more).
- BT is trialling one Gigabit fibre broadband speeds in the UK.

UK Small and Medium Sized Businesses (SME) have High Take-up Rate of Broadband

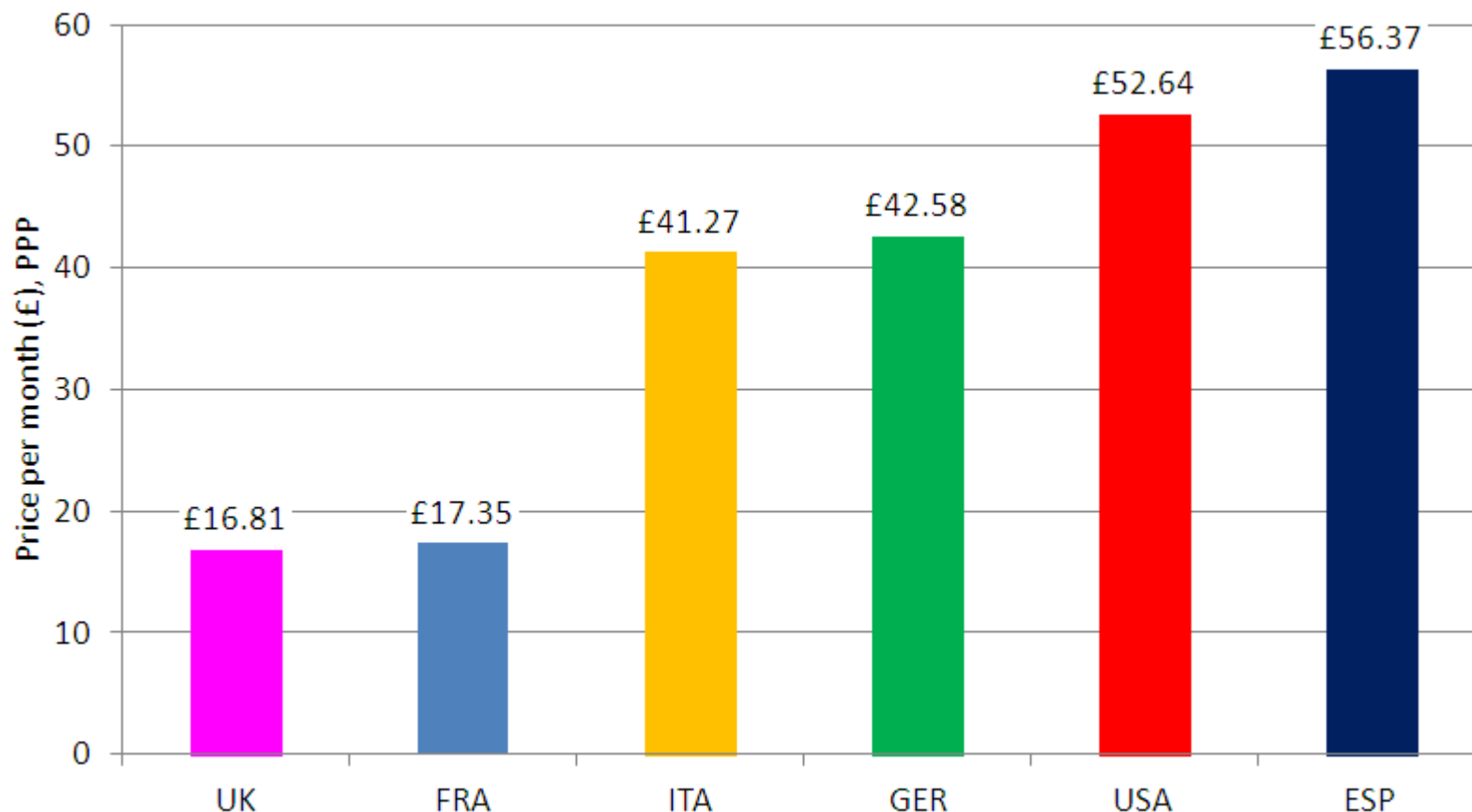
- UK SME market
 - 80-90% of UK SME business premises take wired broadband service with download speeds of greater than 2 Mbps.
 - 90% of UK business premises have access to Ethernet access services.
- USA SME market
 - According to the FCC's National Broadband team, **“many small businesses don't have connectivity sufficient for new opportunities, like cloud computing.”**

UK has high number of national providers of retail broadband



Source: Quarterly Market Update, Ofcom, 2012

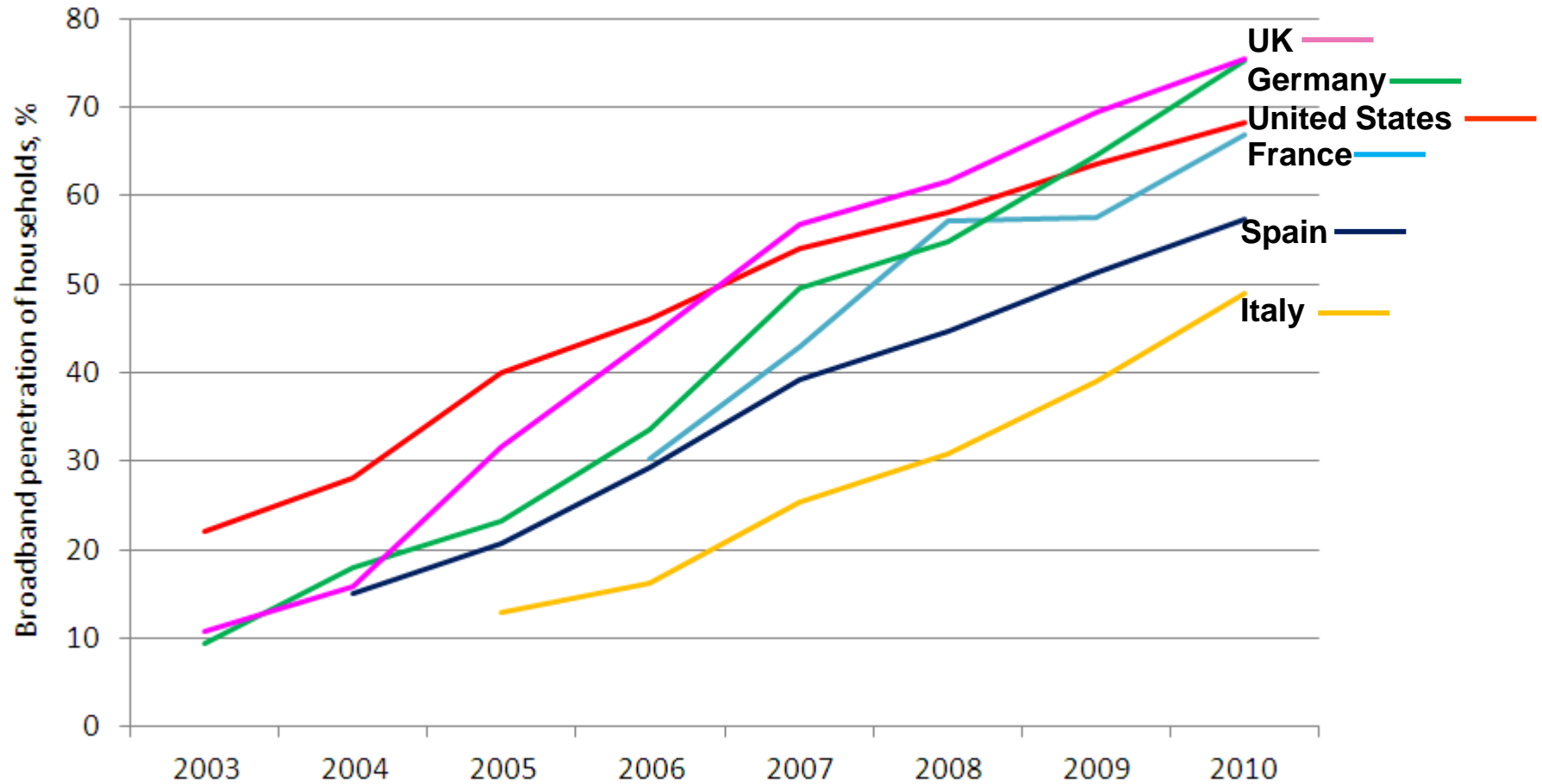
UK broadband prices are among the lowest for major countries...



Source: International Communications Market, December 2011, Ofcom

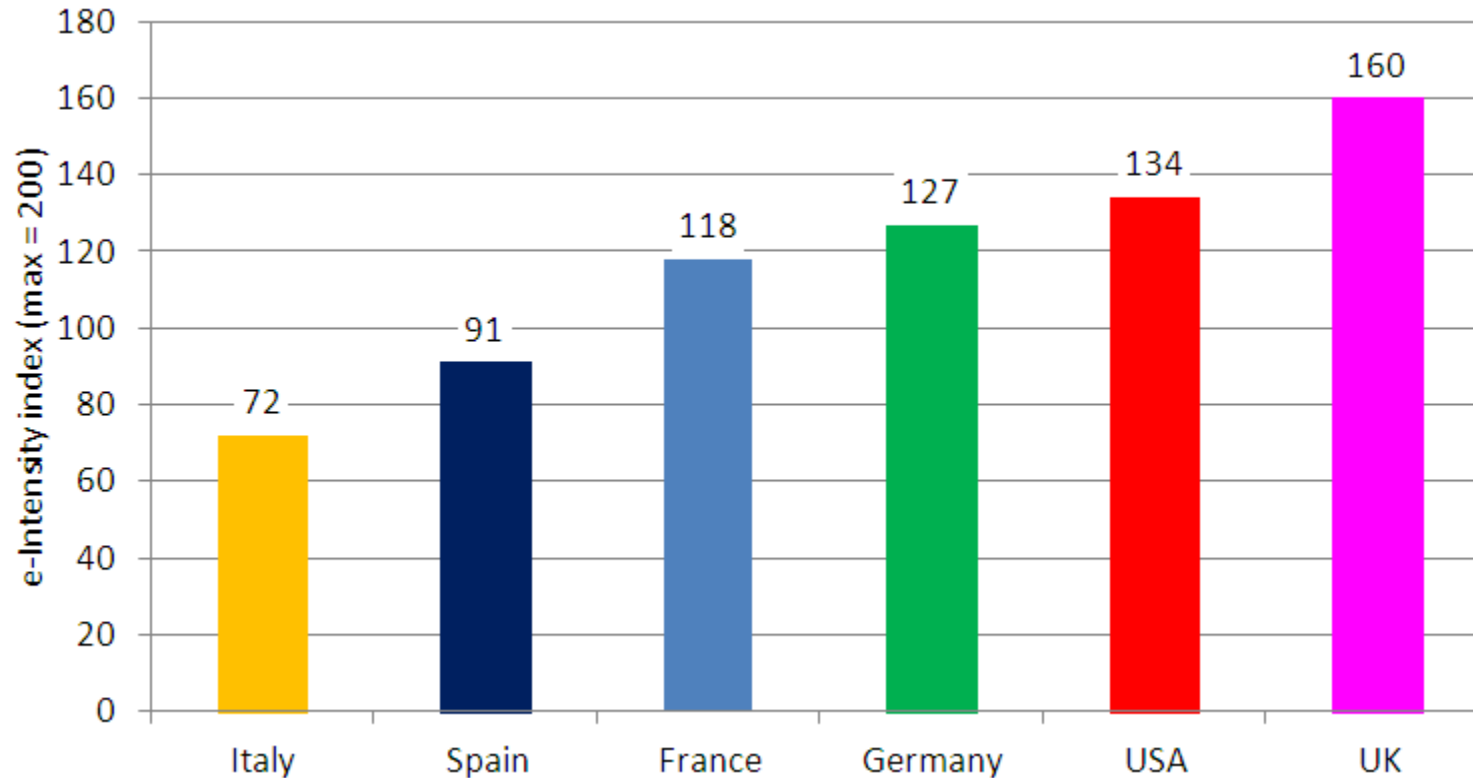
Notes: weighted average of best-value tariff from each of the three largest operators by market share in each country; PPP adjusted. Based on affluent two-person household with high use of mobile, Internet and premium TV. They are heavy users of the internet, requiring a minimum headline connection speed of 16Mbit/s.

UK broadband penetration is highest among major economies



Sources: OECD Broadband Portal, February 2012; Ofcom Communication Market Report 2011; Pew Research Centre

These supply and demand factors have contributed to the relative strength of the Internet in the UK



Source: Boston Consulting Group, e-Intensity Index, October 2011

The Index is a yardstick of Internet strength and activity across nations. It measures “**Enablement**” (How well built is the infrastructure and how available is access?); “**Engagement**” (How actively are businesses, governments, and consumers embracing the Internet?); and “**Expenditure**” (How much money is spent on online retail and online advertising?) The index is scaled so that the geometric mean is 100 for the 34 OECD countries. The UK is grouped in the top tier of countries along with South Korea, Sweden and Denmark.